



A compliant Accounting System for Government Contracts

PRESENTED BY SHEREE DEFEO

What has a good Accounting System?

▶ General Ledger System

- ▶ Ability to record and display all transactions

▶ Chart of Accounts

- ▶ Ability to record all transactions between Assets, Liabilities, Income and Expenses.



A compliant accounting system should:

- ▶ Mirror the companies Proposal > Contracts > Billings
- ▶ Track the costs to the appropriate pools
 - ▶ Example: Overhead (OH) and General and Administration (G&A)
 - ▶ Segregate Unallowed Costs (UA)
- ▶ Generate Cost type Billings from the general ledger
 - ▶ Example: P&L by Job in QB's calculates actual costs to be billed
 - ▶ Cumulative costs in QB should match costs billed since inception of the contract.
- ▶ Assist in the calculation of indirect rates
 - ▶ QB P&L exports data into excel and the rates are calculated.



Sample Chart of Accounts

▶ BALANCE SHEET

- ▶ 100000's Cash
- ▶ 120000 Accounts Receivable
- ▶ 130000's Current Assets
- ▶ 140000's Fixed Assets
- ▶ 150000's Other Assets
- ▶ 200000 Accounts Payable
- ▶ 210000's Current Liabilities
- ▶ 250000's Long Term Liabilities
- ▶ 300000's Equity



Sample Chart of Accounts

- ▶ Profit and Loss (Income Statement)

- ▶ 400000's Revenue
- ▶ 500000's Direct Costs
- ▶ 600000's Overhead
- ▶ 700000's General and Administration
- ▶ 900000's Unallowed



Process for getting an approved Accounting System.

- ▶ Only a government representative can request a Pre-Award.
- ▶ DCAA sends a letter to the point of contact for the contract, notifying them of an upcoming audit.
- ▶ The contractor/contractor representative communicates with DCAA regarding the entrance interview.

Process for getting an approved Accounting System Cont.

- ▶ Form SF-1408 is completed by the contractor
- ▶ DCAA will visit the contractor and review the accounting system and complete testing on site.
- ▶ DCAA will compile a report, conduct an exit interview and submit the final report to the Government Rep.

Points to Remember regarding your accounting system.

- ▶ Even with a “compliant” accounting system, if the contractor enters the information incorrectly, the accounting system will produce the incorrect information, which equates to incorrect rates, which can have a negative impact on contract awards, billings and ICE submissions.
- ▶ Monthly (preferable) Quarterly scrubs of your Income Statement is required to ensure, costs are recorded correctly.

FAQ

- ▶ **How do I know where my DCAA cognizant office is?**
 - ▶ Your DCAA cognizant office is based on where the company maintains their financial records.
- ▶ **What happens if my accounting system does not pass the DCAA audit?**
 - ▶ The CO will change the contract vehicle to FFP.
 - ▶ The CO will award the contract to another contractor.
 - ▶ The CO will request the contractor to make appropriate changes to pass compliance. This will delay the contract.